

Message Text

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ACTION EB-11

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FEA-02 INT-08 FPC-01 AF-10 ARA-16 EA-11 NEA-10 IO-14

COME-00 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 DRC-01

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TAGS: OVIP, EFIN

SUBJ: SECRETARY SHULTZ PRESS BACKGROUNDER AT C-20 MEETING

TREASURY FOR ALAN WADE

REF.: ROME 677

.....MIND.

Q. MR. SECRETARY, AS I UNDERSTAND IT, THE WITTEVEEN PROPOSAL IS TO BORROW MONEY FROM THE ARABS AND THEN TO RECYCLE THIS TO THOSE COUNTRIES THAT MIGHT BE IN BALANCE OF PAYMENTS DEFICIT, WHETHER IT BE DEVELOPING COUNTRIES OR DEVELOPED COUNTRIES. YOUR WERE ADDRESSING YOURSELF TO THE PROBLEM OF DEVELOPING COUNTRIES IN YOUR EARLIER REMARKS AND CRITICISM OF THE PROPOSAL. WHAT DO YOU FEEL ABOUT THE PROPOSAL VIS-A-VIS THE DEVELOPED COUNTRIES? DOES THIS SEEM LIKE A MECHANISM THAT COULD BE EFFECTIVE?

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A. WELL, IT IS POSSIBLE, BUT I THINK WE ALSO HAVE TO LOOK AT, AS I SAID, THE SWAP LINES THAT ARE IN EFFECT AND AT MECHANISMS IN THE PRIVATE MARKET FOR DEALING WITH THIS KIND OF PROBLEM. WE INTEND TO WORK WITH OTHERS IN EXPLORING MR. WITTEVEEN'S PROPOSAL ALONG WITH ANY OTHER PROPOSALS THAT COME ALONG. WE ARE HERE TO LOOK AT ANY REASONABLY PROMISING AVENUE. BUT WE THINK IT IS A MISTAKE TO TAKE THE ATTITUDE RIGHT NOW OF SAYING, "WELL, ALL RIGHT, HERE IS THIS SITUATION AND OUR PROBLEM IS HOW TO MANAGE IT." WE THINK THAT IS A SNARE AND A DELUSION; THAT THERE ARE MANY SENSES IN WHICH IT IS NOT MANAGEABLE, AT LEAST EASILY ENOUGH, TO BE ACCEPTABLE.

Q. THIS IMPLIES, THEREFORE, THAT SOMETHING HAS TO GIVE SOMEWHERE --THAT YOU ARE GOING TO GO BACK TO THE OPEC COUNTRIES AND DEMAND A PRICE REDUCTION.

A. I THINK THAT IF YOU HAVE OIL TO SELL TO SOMEBODY AND IF SOMEBODY JUST DOESN'T HAVE THE MONEY TO PAY FOR IT, THEN WHAT IS GOING TO HAPPEN? THERE IS GOING TO HAVE TO BE SOME BACK-AND-FORTH ON THAT, NOT ONLY IN A BROAD SENSE BUT ON AN INDIVIDUAL BASIS. AND THE PROSPECT OF THAT, IT SEEMS TO ME, HAS TO BE RECOGNIZED, AND AS CLEARLY AS WE CAN.

Q. SIR, DO YOU THINK THE GROUP THAT WILL BE MEETING IN WASHINGTON NEXT MONTH WILL BE THE SORT OF GROUP THAT, TOGETHER, COULD FORM SOME SORT OF COMMITTEE TO DIRECTLY NEGOTIATE WITH THE OIL-PRODUCING COUNTRIES? THERE MUST BE SOME SORT OF INSTITUTIONAL ARRANGEMENT.

A. HOW THAT WILL EMERGE, I THINK, IS BEST LEFT TO THE MEETING ITSELF. I DON'T WANT TO PREJUDGE THAT. THE PRESIDENT HAS CALLED THAT MEETING, THE RESPONSE HAS BEEN QUITE GRATIFYING, WE HAVE OUR THOUGHTS ABOUT WHAT THE CONTENTS SHOULD BE AND THE OBJECTIVE SHOULD BE, BUT WE ARE ALSO VISITING OTHER CAPITALS AND SEEKING THE THOUGHTS OF OTHERS, SO THAT IT IS A, SO TO SPEAK, A MUTUAL AGENDA, NOT AN AGENDA SET SIMPLY BY THE UNITED STATES, AND OUT OF THAT PROCESS WILL COME WHATEVER COMES FROM THAT MEETING AND I DON'T WANT TO PREJUDGE IT.

Q. MR. SECRETARY, YOU'VE SAID THAT THE SITUATION NOW IS, TO UNCLASSIFIED

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A LARGE EXTENT, NOT MANAGEABLE WHILE OIL PRICES STAY UP, AND AT THE SAME TIME YOU HAVE EXPRESSED SOME HOPE THAT YOU CAN REACH, OR MAKE SOME PROGRESS OR SOME AGREEMENT, BY THE JULY 31 DEADLINE. COULD YOU GIVE US SOME IDEA OF THOSE AREAS IN WHICH YOU THINK SOME PROGRESS IS POSSIBLE BY JULY 31 IF THE OIL PRICES STAY UP?

A. WELL, FIRST, I THINK AS COMPARED WITH, SAY, TWO YEARS AGO, A GREAT DEAL OF PROGRESS HAS BEEN MADE IN THE COMMITTEE OF

TWENTY AND IN THE GENERAL DISCUSSIONS ON WHAT THE SORT OF
OVERALL DIMENSIONS AND CHARAC

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